

Rockwood Holdings, Inc.
Form 10-Q
November 06, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-32609

Rockwood Holdings, Inc.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

52-2277366
(I.R.S. Employer
Identification No.)

100 Overlook Center, Princeton, New Jersey 08540
(Address of principal executive offices) (Zip Code)

(609) 514-0300
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 2, 2007, there were 73,857,168 outstanding shares of common stock, par value \$0.01 per share, of the Registrant.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in millions, except per share amounts;

shares in thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net sales	\$ 829.6	\$ 739.8	\$ 2,476.4	\$ 2,235.4
Cost of products sold	574.3	510.1	1,691.4	1,537.0
Gross profit	255.3	229.7	785.0	698.4
Selling, general and administrative expenses	159.6	147.8	474.6	436.7
Restructuring charges, net	2.9	1.7	8.9	3.9
Gain on sale of assets	(0.1)		(5.3)	(0.4)
Operating income	92.9	80.2	306.8	258.2
Other income (expenses):				
Interest expense	(57.0)	(60.6)	(158.7)	(148.1)
Interest income	1.9	1.1	11.0	3.6
Loss on early extinguishment of debt			(19.4)	
Refinancing expenses			(0.9)	
Foreign exchange gain, net	7.6	4.8	11.3	7.0
Other, net		0.3	(0.1)	2.1
Other income (expenses), net	(47.5)	(54.4)	(156.8)	(135.4)
Income from continuing operations before taxes and minority interest	45.4	25.8	150.0	122.8
Income tax provision	17.9	9.7	61.9	50.0
Income from continuing operations before minority interest	27.5	16.1	88.1	72.8
Minority interest in continuing operations	(2.8)		(6.2)	
Net income from continuing operations	24.7	16.1	81.9	72.8
Income from discontinued operations, net of tax		1.9	0.5	26.5
Gain on sale of discontinued operations, net of tax			115.7	
Minority interest in discontinued operations		3.4	(0.1)	(0.8)
Net income	\$ 24.7	\$ 21.4	\$ 198.0	\$ 98.5
Basic earnings per share:				
Earnings from continuing operations	\$ 0.33	\$ 0.22	\$ 1.11	\$ 0.99
Earnings from discontinued operations, net of tax		0.07	1.57	0.35
Basic earnings per share	\$ 0.33	\$ 0.29	\$ 2.68	\$ 1.34
Diluted earnings per share:				
Earnings from continuing operations	\$ 0.32	\$ 0.21	\$ 1.08	\$ 0.97
Earnings from discontinued operations, net of tax		0.08	1.52	0.34

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Diluted earnings per share	\$	0.32	\$	0.29	\$	2.60	\$	1.31
Weighted average number of basic shares outstanding		73,820		73,782		73,801		73,781
Weighted average number of diluted shares outstanding		76,383		74,915		76,155		75,001

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in millions, except per share amounts;****shares in thousands)****(Unaudited)**

	September 30, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 104.0	\$ 27.7
Accounts receivable, net	548.3	463.4
Inventories	511.6	445.4
Deferred income taxes	16.0	9.7
Prepaid expenses and other current assets	68.1	43.1
Assets of discontinued operations		490.6
Total current assets	1,248.0	1,479.9
Property, plant and equipment, net	1,531.6	1,374.9
Goodwill	1,826.3	1,717.7
Other intangible assets, net	672.2	539.6
Deferred debt issuance costs, net of accumulated amortization of \$28.4 and \$25.4, respectively	42.6	51.6
Deferred income taxes	21.8	
Other assets	41.2	56.1
Total assets	\$ 5,383.7	\$ 5,219.8
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 271.2	\$ 290.3
Income taxes payable	7.6	0.2
Accrued compensation	91.8	85.9
Restructuring liability	13.8	8.5
Accrued expenses and other current liabilities	206.3	180.7
Deferred income taxes	4.6	
Senior secured revolving credit facility		37.0
Long-term debt, current portion	107.3	80.8
Liabilities of discontinued operations		171.1
Total current liabilities	702.6	854.5
Long-term debt	2,447.7	2,720.9
Pension and related liabilities	382.3	353.0
Deferred income taxes	84.5	43.1
Other liabilities	162.1	94.2
Total liabilities	3,779.2	4,065.7
Minority interest	180.8	33.6
Performance restricted stock units	1.1	
Stockholders' equity:		
Common stock (\$0.01 par value, 400,000 shares authorized, 73,922 shares issued and 73,828 shares outstanding at September 30, 2007; 400,000 shares authorized, 73,879 shares issued and 73,785 shares outstanding at December 31, 2006)	0.7	0.7
Paid-in capital	1,154.0	1,151.8
Accumulated other comprehensive income	343.3	234.0
Accumulated deficit	(74.0)	(264.6)

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Treasury stock, at cost		(1.4)		(1.4)
Total stockholders' equity		1,422.6		1,120.5
Total liabilities and stockholders' equity	\$	5,383.7	\$	5,219.8

See accompanying notes to condensed consolidated financial statements.

ROCKWOOD HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in millions)

(Unaudited)

	Nine months ended September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 198.0	\$ 98.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(0.5)	(26.5)
Gain on sale of discontinued operations, net of tax	(115.7)	
Minority interest in discontinued operations	0.1	0.8
Depreciation and amortization	165.3	140.9
Deferred financing costs amortization	6.9	7.2
Loss on early extinguishment of debt (including \$4.9 of noncash write-offs on deferred financing costs)	19.4	
Foreign exchange gain	(11.3)	(7.0)
Fair value adjustment of derivatives	15.4	(6.2)
Bad debt provision	1.5	1.9
Stock-based compensation	2.4	
Deferred income taxes	24.2	29.4
Gain on sale of assets	(5.3)	(0.4)
Minority interest in continuing operations	6.2	
Changes in assets and liabilities, net of the effect of foreign currency translation and acquisitions:		